

**CITY OF MILWAUKIE
BUDGET COMMITTEE MEETING
March 19, 2018**

Members Present: Shane Abma, Jesse Boumann, Milo Denham, Angel Falconer, Mark Gamba, Michael Osborne, Wilda Parks and Jon Stoll

Excused: Lisa Batey and Ronn Palmer

Staff Present: Bonnie Dennis, Chuck Eaton, Haley Fish, Ann Ober and Peter Passarelli

The meeting was called to order at 5:30 pm.

Committee introductions were done.

Ms. Fish announced that Ronn Palmer will be submitting his resignation later this week; she is hopeful the vacancy will be filled by the first biennium budget meeting on April 26th.

Approval of prior meeting minutes

It was moved by Ms. Parks and seconded by Mayor Gamba to approve the December 14, 2017 meeting minutes as written. Motion pass unanimously.

Review of financial results for the period ended February 28, 2018 and discussion

Ms. Fish started the discussion by pointing out the report is for financial results for the period ended February 28, 2018. The reason for the change from the quarter ending December 31, 2017, is to give the Committee more real-time numbers going into the budget season. With budget meetings starting next month, she asked the Committee if they would like a third quarter financial report ending March 31, 2018.

Mr Denham requested that a second quarter report as of December 31, 2017 be prepared and provided to the committee because that would provide consistent historical trends for future reference/analysis. Discussion ensued. Ms. Ober communicated that the Committee would need to make a motion to in order for this to move forward.

The Committee made no motion to request a second quarter report as of December 31, 2017.

Ms. Fish stated the Comprehensive Annual Financial Report for FY 2017 has been issued with no auditor comment. Financial result discussion started with the property tax chart in the executive summary, which has been updated and the difference between the market value and assessed values continues to increase. The attorney and legal fees table has been updated.

Ms. Ober announced to the Committee the City will have in-house attorney services beginning July 1, 2018; costs will be in a single department and easier to track.

Mayor Gamba noted the vast difference on the property tax chart between market and assessed values. A property tax fix is needed due to the significant monetary difference the chart represents.

Mr. Abma contributed that this really affects Milwaukie, due to the City size.

Mr. Abma asked if the attorney expense allocation will be adjusted for the increased work the attorney will provide.

Ms. Fish responded that the budget for the in-house attorney is proposed at \$250,000 and after a year or two there will be a reallocation of all the user groups based on a percentage.

Ms. Ober acknowledged that staff is aware there may be increased expenses due to upcoming projects. The City received a letter from Jordan Ramis stating there will be a significant rate increase this upcoming year, therefore an in-house attorney would be beneficial to the City. The City will continue a contract for attorney services in areas that the in-house attorney will not cover.

Ms. Fish continued with the FTE summary.

Chair Stoll asked why the Water fund is down two FTEs.

Mr. Passarelli responded they held off hiring a second FTE to spend time training the first person hired. The second person started March 1st.

Mr. Abma asked how Milwaukie's Police FTEs compare to other cities.

Ms. Ober responded in the past Milwaukie has been higher per capita than other cities. The department has vacancies due to photo radar.

Ms. Fish continued to the financial section of the General Fund. Franchise fee payments are collected quarterly and semi-annually; Title 21 changes will increase annual revenue by approximately \$500K. Licenses and permits have had an increase due to development land use applications. Fines and forfeitures is projecting an \$850K reduction in revenue due to the photo radar program changes and vacancies that affect the traffic division.

Mayor Gamba asked if the marijuana taxes received by the City are in the intergovernmental revenue.

Ms. Fish responded it is either in intergovernmental or miscellaneous; she is speaking with the attorney on how to present the information. Revenue received by the City is based on the two dispensaries' revenue, the City cannot disclose proprietary information of these businesses. She noted that most of miscellaneous revenue across all funds is comprised of interest revenue earned in the Local Government Investment Pool (LGIP).

Mayor Gamba asked the LGIP yield rate.

Ms. Fish was not sure but will email the answer to the Committee. She continued with the General Fund departments. Public Works Admin will require a supplemental budget as a substantial unexpected payout was recognized due to an employee retirement. The upcoming biennium budget will reflect possible retirements in Personnel Services to avoid this type of situation going forward. The Engineering department reflects changes in the SAFE program that resulted in a supplemental increase in FTE expenses this fiscal year. Facilities Management has had some vacancies and is materials and services is project based. The Finance department variance is due to an increase in bank charges, primarily related to building permits.

Mayor Gamba asked these fees are assessed to the building department.

Ms. Fish responded that currently all the bank fees are accounted for in the Finance budget. For the upcoming budget, she is looking at having fees go to the programs themselves based on revenues.

Mayor Gamba clarified what the bank fees are for.

Ms. Fish responded they are credit card fees. Many cities have a dollar limit on the amount a customer pay via credit card. Milwaukie does not have a limit on transaction amounts for credit cards but, this conversation has been started with the Building official. The Information

Technology department will not have significant savings this fiscal year due to large capital investments for the network upgrade and phone infrastructure.

Mr. Osborne asked if the police radios are included in this department's budget.

Ms. Fish responded the initial capital outlay will be covered by the Police and Public Works budgets. The Records and Information Management department has been reorganized to decrease the FTE count from four to three. In the Library fund, the \$1 million has been received from the County; miscellaneous revenue reflects an increase of interest from the LGIP allocation due to the bond proceeds. Material and services is higher due to ballot measure costs. In the Transportation Fund, the intergovernmental revenue is comprised of reimbursement grants, which are not uniformly received throughout the year. The SSMP program fee in lieu projects have not been completed yet to recognize the corresponding revenue. In the SAFE program, most of the projects have not been completed.

Ms. Parks asked what comprises SAFE's miscellaneous revenue.

Ms. Fish responded it is interest revenue. The State Gas Tax program is on track for revenues; a few projects will be nearing completion in the next few months.

Mayor Gamba asked when the gas tax increase will begin.

Ms. Fish responded that it had started January 1, 2018. The Water fund reflects less than anticipated costs of electricity, facility repairs and rents and leases. The Wastewater fund has miscellaneous revenue of interest income and the materials and services are project based. The System Development Charges fund is solely based on capacity increasing capital projects projects.

Mayor Gamba asked if the SDCs go to their specific fund.

Ms. Fish responded they are tracked by type within the SDC fund. They are balanced to the specific utility revenues; the projects must be allowable to use the revenues.

Mayor Gamba asked if the purchase of properties along the railroad line are coming out of the Stormwater fund.

Ms. Fish responded yes. The MRC Urban Renewal fund, property taxes are lower, the frozen base levied by the County was approximately \$93K, not the \$130K budgeted.

Mr. Denham asked if FILOC funds not used within ten years go back to the current property owner. He wondered how much of the balance is at risk of being returned.

Ms. Ober stated Mr. Eaton would be able to answer that question.

Ms. Fish added that most of the balance will be used by the upcoming projects. She continued with the project status report.

Chair Stoll stated this is the only place where a projection has been done for the biennium.

Ms. Fish responded yes.

Chair Stoll asked if the City will receive more property taxes by the end of the year.

Ms. Fish responded yes, most likely, it will come in at 98% of budget.

Brief update on upcoming budget approval process

Ms. Fish highlighted the upcoming budget hearing dates along with the process that will take place at the meetings.

Mr. Eaton responded to the earlier FILOC question. He explained it was changed by City Council about a year ago, where the funds must be obligated within the ten year period, earmarked for a specific project within the NDA. Currently the oldest funds are six years old. He pointed out that the sidewalks for the 42nd Avenue paving project were paid for with FILOC funds.

Mr. Boumann asked the balance of the FILOC funds.

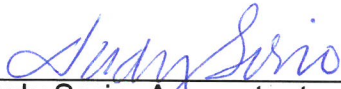
Mr. Eaton responded that he did not know the balance.

Ms. Ober stated she will get that information to the Committee.

Adjourn

It was moved by **Mr. Boumann** and seconded by **Ms. Parks** to adjourn the Budget Committee meeting at 6:28 p.m.

Respectfully submitted,



Judy Serio, Accountant